GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3771
ANSWERED ON:24.03.2017
Draft Law on Ponzi Schemes
Singh Shri Sushil Kumar

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to tackle the menace of Ponzi schemes with stiff penal and monetary punishment for offenders by seeking comments from public on a draft law and if so, the details thereof;
(b) whether the Government has constituted a group of domain experts to identify gaps in the existing regulatory framework for deposit-taking activities and if so, the details thereof;
(c) whether the said group of experts has recommended a slew of measures both legislative and non-legislative and if so, the details thereof; and
(d) whether the Government proposes to bring pyramid marketing companies apart from deposit taking firms under the new legislation?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) to (d): In view of the number of complaints with regard to the unauthorized deposit taking activities and duping of gullible people by unscrupulous elements, the Government had constituted an Inter-Ministerial Group (IMG) in the Department of Economic Affairs (DEA), for identifying gaps in the existing regulatory framework for deposit-taking activities and to suggest administrative/ legislative measures, including formulation of a new law, to cover all relevant aspects of deposit-taking. The IMG finalized its Report and recommended a number of legislative and non-legislative/ administrative measures. The IMG's legislative recommendations included the enactment of a new Central legislation called the Banning of Unregulated Deposit Schemes and Protection of Depositors' Interests Bill ("Banning Bill") in order to tackle the menace of illicit deposit taking schemes.

A copy of the Report of the IMG along with the draft "Banning of Unregulated Deposit Schemes and Protection of Depositors' Interests Bill" was placed on the website of the Department of Financial Services (DFS) in March, 2016 for eliciting public comments. Based on the comments received and further detailed consultations with the stakeholders, the Draft Bill was modified. A second round of public consultation on the revised draft bill has been carried out by placing it on the web-site of DFS on 17.11.2016 and writing to all the relevant stakeholders.

The Department of Consumer Affairs has placed on its website an advisory to all the State Governments / Union Territories on Model Guidelines to strengthen the existing regulatory mechanism on Direct Selling and Multi-Level Marketing (MLM), for preventing fraud and protecting the legitimate rights and interests of consumers. The Clause 8 of the Advisory is on Prohibition of Pyramid Scheme & Money Circulation Scheme and states that (i) No person or entity shall promote a Pyramid Scheme, as defined in Clause 1(11) of the advisory or enroll any person to such scheme or participate in such arrangement in any manner whatsoever in the garb of doing Direct Selling business; (ii) No person or entity will participate in Money Circulation Scheme, as defined in Clause 1(12) of the advisory in the garb of Direct Selling of Business Opportunities.